

CITY COUNCIL AGENDA ITEM

CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: 2015 Washington State Legislative Session Wrap Up
DEPARTMENT: City Manager's Office
PRESENTED BY: Scott MacColl, Intergovernmental Relations
ACTION: ☐ Ordinance ☐ Resolution ☐ Motion
 ☒ Discussion ☐ Public Hearing

ISSUE STATEMENT:

The 2015 Legislature finished Sine Die (officially finished) for the third Special Session on July 10, 2015, capping the longest legislative session in Washington State History. While the question of whether or not schools are appropriately funded still remains, the Legislature felt they had done enough to reach that goal by 2018. In addition, the Legislature finally passed a \$16 billion, transportation package to fund projects over the next 16 years, funded primarily by an increase in the state gas tax. Overall, Shoreline's Legislative Priorities were well covered, including directly achieving three of the five Council priorities.

RESOURCE/FINANCIAL IMPACT:

There is a net positive impact from this legislative session, including restoration of state shared liquor revenues (Shoreline's increase in liquor revenues is estimated to be \$55,100 for the 2015-2017 biennium, or \$27,550 per annually), and a new direct distribution of marijuana revenues to cities of \$3 million per year this biennium (Shoreline's portion is estimated to be \$50,000 for 2015-2017, or \$25,000 annually).

Shoreline will also receive \$25 million for the 145th Street Corridor Project as part of the Transportation Package passed by the Legislature. As the package is funded through an increase in the gas tax, Shoreline will also receive an increase in its share of gas tax revenues. The gas tax increase is implemented over two years, so Shoreline would receive revenues of approximately \$36,192 for the remainder of 2015; \$72,382 in 2016; \$113,744 in 2017; and \$155,103 starting in 2018 going forward.

Additionally, the legislation allows for an increase in the Transportation Benefit District fee through Council action from \$20 to \$40. If enacted, this would provide approximately \$780,000 annually.

RECOMMENDATION

No action is required; this item is for discussion purposes only.

Approved By: City Manager **DT** City Attorney **MK**

INTRODUCTION

The 2015 legislative session was the biennial budget year in which the State Legislature approved the 2-year, 2015-2017 budget. One of the most significant issues the Legislature faced was how to deal with the McLeary decision, or how to fully fund basic education. This turned out to be challenging, as it took three special sessions and a very near state government shut-down to come to resolution on a budget.

The Legislature also passed a \$16 billion transportation package to fund projects over 16 years. The projects will be paid for through an 11.9-cent gas tax increase that would be phased in over two years.

Many of Shoreline's 2015 Legislative Priorities were met this session. Shoreline will receive restored liquor revenues, new marijuana revenues, and \$25 million in funding for the 145th Street Corridor Project. In addition, cities also received the authority to increase the vehicle license fee that funds the Transportation Benefit District (TBD), and an increase in gas tax revenue.

BACKGROUND

The 2015 Washington State Legislature was in continuous session from January 12 to July 10, 2015, capping the longest legislative session in state history. The Legislature needed to pass the biennial budget by June 30 or the state government would have had to shut down (as technically there would be no funding). The State came within half an hour of its first government shut down, as the budget was not voted on until June 30, late into the evening, and not signed by the Governor until 11:30 pm.

State Budget

The Legislature passed a \$38.2 billion two-year budget, which is supposed to go most of the way to fully fund basic education. While there are differing opinions as to whether or not the budget fully addressed education funding, legislators chose not to address the voter-approved class-size reduction initiative, I-1351, passed last November. The price tag on that initiative is estimated to be another \$2 billion, and the Legislature suspended the initiative in order to balance the budget without further cuts or tax increases.

The budget added, among other items, another \$1.3 billion to basic K-12 education, reduced tuition at universities by 20%, and increased pay for state workers and teachers.

Marijuana

The Legislature passed HB 2136, which merges the medical and retail (recreational) marijuana systems into the oversight of the Liquor and Cannabis Board (LCB – the legislation also changed the name of the agency). Among other provisions, the legislation phases out medical collective gardens by July 1, 2016. Additionally, the bill provides marijuana tax revenues for local jurisdictions, distributed based on retail sales and population.

Transportation

After years of near misses, the Legislature finally passed a 16-year, \$16 billion transportation package. The package will be funded with bonds, and paid for using an increase in the gas tax and other fees. The gas tax increase includes an 11.9 cent gas tax hike over the next two years, and will go up in two stages: a 7-cent increase on August 1, and a 4.9-cent increase on July 1, 2016. The increase in the gas tax also provides an increase in Shoreline's direct gas tax distribution, which is used solely for road projects.

The plan spends \$8.8 billion on state and local road projects and \$1.4 billion on maintenance and preservation. An additional \$1.3 billion will go to non-highway projects, such as bike paths, pedestrian walkways and transit. The bill also provides Sound Transit up to \$15 billion in additional funding authority to ask voters to pay for the potential ST3 package.

Transportation Benefit District (TBD)

The legislation authorizing the transportation package also included changes to the TBD statutes, including amending the governance of the TBD. The bill allows a city with the same boundaries of a TBD to eliminate the separate entity status and assume the rights, powers, functions, and obligations of the TBD. The bill also increases the vehicle license fee amount a Council can impose with a majority vote to \$40 if a \$20 fee has been in effect for at least 24 months. Additionally, a Council may increase that fee to \$50 upon a majority vote if a \$40 fee has been in effect for at least 24 months, but that action would be subject to a referendum. The median income threshold that a TBD may provide a rebate of a vehicle fee is increased from 45 percent to 75 percent.

Shoreline 2015 Legislative Priorities

The City's 2015 Legislative Priorities were largely met this year, including an increase in state shared revenues. For general fund revenue, city liquor shared revenue was restored to pre-2013 levels and cities will receive a small share of marijuana revenues starting in the 2015-2017 biennium. Cities also receive an increase in state shared gas tax revenues that pays for the transportation package and an increase in the councilmanic TBD authority.

Below are the legislative priorities with any legislative action below:

1. *Support Local Government Financial Sustainability and Flexibility (including revising the property tax and local transportation revenue options):*
 - State shared revenues
 - i. Restores the 50% cut in liquor taxes from the previous biennium (an additional \$26.1 million) and retains the liquor profit sharing revenue at \$49.4 million.
 - ii. Provides \$6 million in marijuana excise tax revenue to cities and counties per year (\$3 million, split between cities and counties).
 - Local transportation revenue options
 - i. Provides an increase in the TBD vehicle license fee authority that Council can enact without a vote from \$20 to \$40. Additionally, after two years at \$40, Council can choose to increase another \$10

to \$50. Council can also eliminate the separate TBD status and assume the TBD as part of the City.

- ii. Shoreline also receives increased gas tax revenue from the statewide increase in the gas tax to fund the transportation package.

2. *Advocate for the 145th Street Corridor Project*

- Shoreline was able to secure \$25 million in the statewide transportation package funding for the project.

3. *Oppose legislation that modifies existing city authority to assume water/sewer districts*

- There was yet another attempt to repeal city authority to assume a water/sewer district, and this time both the Chairs of the relevant House and Senate committees were supportive. With support from other cities and AWC, the authority is intact, albeit with a new referendum provision.

4. *Support clarification of state law regarding medical vs. recreational marijuana*

- The Legislature passed comprehensive legislation to revise the marijuana market and fix the unregulated collective garden market (see note above). As a bonus, cities will receive some funds (albeit small) to help deal with the impacts of marijuana.

5. *Support increasing state revenue to support education, human services, and general state and local revenue to maintain existing services*

- Due in part to a better than expected revenue forecast, the state was able to increase funding to education and state services without making significant cuts to services. Additionally, as noted above, cities were able to retain their state shared revenues as well.

As with any legislative session, there were some less positive outcomes. The Public Works Trust Fund is essentially finished. The budget did not provide any new funding and there is only enough in the fund to pay off existing projects. Also, the transportation package was fairly road heavy and transit/bike/pedestrian light, but hopefully projects like the 145th Street Corridor Project will provide a mix of all those.

RESOURCE/FINANCIAL IMPACT

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revenues. The gas tax increase is implemented over two years, so Shoreline would receive revenues of approximately \$36,192 for the remainder of 2015; \$72,382 in 2016; \$113,744 in 2017; and \$155,103 starting in 2018 going forward.

Additionally, the legislation allows for an increase in the Transportation Benefit District fee through Council action from \$20 to \$40. If enacted, this would provide approximately \$780,000 annually.

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